91-1678

Number

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**IN THE
SUPREME COURT
OF THE
UNITED STATES**

October Term, 1991

MERCADO LATINO, INC.

Petitioner

vs.

ALBERT SOLER; MARKTRADE COMPANY, INC

Respondents

On A Writ Of Certiorari
To The
United States Court Of Appeals
For The Ninth Circuit

Petition For Certiorari-Trademarks

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62

Preliminary Matter

Questions Presented

1) Does the district court have the discretion to issue an injunction for trademark infringement that is restricted to only one single product when this will effectively cancel the trademark of the deserving trademark owner.

2) After a jury verdict of willful and deliberate trademark infringement does the court have the discretion to refuse to award costs, including reasonable attorney's fees to the deserving trademark owner.

3) After a jury verdict of willful and deliberate trademark infringement does the court have the discretion to refuse to order a trial on the issue of possible damages when the trial of a trademark infringement case was bifurcated as to liability and damages.

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Parties

The parties to this petition are listed in the caption of this case. There are no known subsidiaries and no known parent companies of the corporate parties.

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MERCADO LATINO, INC

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vs.

ALBERT SOLER; MARKTRADE COMPANY, INC

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Petition For Certiorari-Trademarks

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Attorney For Mercado Latino, Inc

Decisions Below

On July 16, 1990, the District Court for the Central District Of California entered a judgment in this case that is not reported. The judgment of the Court Of Appeals For The Ninth Circuit was filed December 12, 1991, and is not reported.

Jurisdiction

The judgment of the Court Of Appeals For The Ninth Circuit was filed on December 12, 1991 and a copy thereof is appended to this petition. The judgment was subsequently amended in an order that also denied the petition for a rehearing which was filed on January 22, 1992. The jurisdiction of this court is invoked under 28 U.S.C. 1254(1).

Constitutional Provisions And Statutes Involved

The following statutes are involved in this petition all of which

are included verbatim in the appendix to this petition:

15 U.S.C. 1114(1)(b), 15 U.S.C. 1115(a), 15 U.S.C. 1116(a), and 15 U.S.C. 1117(a).

Statement

This dispute arose when officials at Mercado Latino, Inc, discovered in July of 1987 that respondent Albert Soler was selling seafood packaged almost identically the same as the Mercado Latino brand. (R 492:1-4) After trial by jury a verdict was returned of willful and deliberate trademark infringement by respondents. (R 687)

A complaint was filed by Mercado Latino on June 29, 1988, alleging federal trademark infringement and unfair competition. (R 35) An answer and counterclaims for declaratory relief was filed October 11, 1988. (R 52) Eventually a third amended complaint was filed on

June 27, 1989. (R 594) An amended answer with counter claims was filed on October 11, 1989. (R 611) An answer to the counter claims was filed on October 13, 1989. (R 643) The pretrial order was filed on August 28, 1989. (R 651)

At trial the issues presented to the jury were (1) was there trademark infringement; (2) is it willful and deliberate; (3) is there trade dress infringement; (4) is it willful and deliberate; (5) is there trademark dilution; (6) should the SOL-MEX trademark of Mercado Latino be cancelled; (7) is Mercado Latino guilty of false advertising. (R 687) The jury found willful and deliberate trademark infringement by respondents; no trade dress infringement; no dilution; that the SOL-MEX trademark of Mercado Latino should not be cancelled; and that Mercado Latino engaged in false advertising

because a dba that was advertised was not refiled with the County Recorder as required. (R 687-690) The jury marked on the special verdict form that trademark infringement was found only with regards to sardines and that the false advertising involved the neglect to re-file a dba with the County Recorder as required every five years. (R 687-690)

The court then issued, over the objections and argument of Mercado Latino, an order restricting the injunction prohibiting future infringement to sardines only, effectively cancelling the trademark of Mercado Latino. (R 790) The court also denied Mercado Latino costs including reasonable attorney's fees, and a trial of damages. (R 790) Not content with this situation counter claimants then filed a motion for JNOV on July 25, 1990 (R 836). After hearing on August 20, 1990, the

motion for JNOV was denied. (R 872) Mercado Latino filed a notice of appeal on September 18, 1990. (R 874). Respondents filed an amended notice of cross appeal on October 15, 1990. (R 888)

After appeal and argument the circuit court issued a memorandum disposition that was filed on December 12, 1991, basically affirming the judgment of the district court. After motion and petition for a rehearing the court issued an order amending the disposition and denying the petition for a rehearing which was filed on January 22, 1992. Copies of the memorandum disposition and order are appended hereto.

Mercado Latino is a California Corporation formed in 1982 as the successor in interest of G. Rodriguez and Sons, a food wholesale business started in 1965. (R 489:3-5) Mercado Latino is in

the business of marketing Hispanic specialty foods, including canned sea food, canned tuna, canned sardines, and canned abalone under the trademark SOL-MEX. (R 489) Mercado Latino is the owner of the registered trademark SOL-MEX first registered as number 1,130,051, then later registered as number 1,476,101 with first use in commerce of 1978. (R 48) Mercado Latino also registered the SOL-MEX trademark in California in 1978. (R 489) The SOL-MEX brand products have been extensively promoted through advertising, incentives, and store displays. (R 490) Over the years the high quality of Mercado Latino food products have produced and continues to produce an ever increasing number of loyal customers. (R 490)

Respondents, like Mercado Latino, are in the business of selling and distributing Hispanic specialty foods

which are also sold to grocery stores. (R 490 Respondents sell seafood using the brands SARDIMEX and SEAMEX. (R 490) It is interesting that respondent Albert Soler admits that he is in the business of selling goods based on their labels only. (R 287-289) This leads to the inescapable conclusion that respondent Soler is basically in business to infringe on the trademarks of others.

Mercado Latino winesses claim they first learned of the SARDIMEX and SEAMEX brands being sold as colorable imitations of the Mercado Latino SOL-MEX brand in July of 1987. (R 492) Respondents argue that they have been infringing on the SOL-MEX trademark before this. (R 106)

Prior to filing this suit Mercado Latino had two law firms write letters to respondents asking that the infringement of the SOL-MEX trademark cease and dessist. (R 49) Presumably had

respondents stopped using the confusingly similar brands, they would have been able to keep all of the easy money made by cashing in on the goodwill of the SOL-MEX brand of Mercado Latino. Instead, respondents forced Mercado Latino to prosecute this action through a several week jury trial to a verdict of willful and deliberate trademark infringement. (R 687)

Reasons For Granting The Writ

1) There is a conflict of decisions among the circuits as to how broad an injunction should be that prohibits trademark infringement. The third circuit has held that the injunction should be limited to the goods specified in the trademark registration. Other circuits use the doctrine of expansion to justify an injunction covering all goods that reasonably would be covered by a trademark. In the present case the

district court restricted the injunction to a single product. Such an injunction, of course, tends to devastate the deserving trademark owner or put the party out of business altogether.

2) In the present case the district court applied the doctrine of laches to the situation and used its awesome equity powers to adjudge that the deserving trademark owner in this case is not entitled to costs including reasonable attorney's fees and is not entitled to a trial on the issue of damages. The court of appeals affirmed based on the so called six-factor test of the case **E-Systems v Monitek** 720 F.2d 604 (CA9, 1983) Other circuits have held that the defense of laches is not available to a willful trademark infringer because of the doctrine of unclean hands. Clearly if one can invoke the equity powers of the court regardless of culpability then

any clever defendant in a trademark infringement suit would be able to invoke the doctrine of laches and no trademark plaintiff could obtain any relief from a trademark suit, but could lose the suit. Such a precedent has the obvious effect of chilling any trademark litigation.

Summary Of The Argument

In the present case the jury returned a verdict of willful and deliberate trademark infringement after trial. The court issued an injunction restricted to one single product of the deserving trademark owner-sardines. This effectively cancels the trademark. The district court then invoked its equity powers and applied the doctrine of laches to deny the deserving trademark owner any costs, attorney's fees, and damages, in fact to deny the deserving trademark owner any relief whatsoever.

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Registration of a trademark at the United States Trademark Office gives the trademark owner national protection. A regional trademark user conceivably might not have any actual notice of a trademark used in another region of the United States. So trademark law covers that situation by leaving trademark remedies largely to the discretion of the district court.

However, the discretion of the district court is not unlimited. Congress clearly never intended for the district court to deprive a deserving trademark owner of rights to use a trademark for related goods, rights conferred on the deserving trademark owner by statute, by issuing an injunction restricted to trademark protection for one single product. Clearly such an injunction effectively cancels the trademark and tends to put

the deserving trademark owner out of business altogether. Further it is submitted that Congress never intended for the district court to apply the trademark law so as to deny any relief including costs, reasonable attorney's fees, and a trial on the issue of damages to a deserving trademark owner. Especially when this tends to further devastate the deserving trademark owner and makes it impossible to conduct other litigation to protect its trademark rights.

If the district court had issued a trademark infringement injunction to IBM restricted to only one product-typewriters, leaving others to freely use the IBM name on other products such as computers, this would clearly be inequitable. Mercado Latino is no IBM, being a smaller company with only around 100 employees, and is even a minority

operated organization, active in the Hispanic community. However, Mercado Latino is representative of other similar companies struggling for survival in the economy of today. It is submitted that a decision by this court resolving the conflicts between the circuits as to the law applicable to this case and clarifying the intent of Congress applicable to trademark law is needed at this time.

Standard Of Review

The court has broad discretion in fashioning a remedy in a trademark infringement suit. **Transgo v Ajac** 768 F.2d 1001 (CA9, 1985)

Whether a party may invoke the equity jurisdiction of the court and rely on equitable defenses such as laches appears to be a conclusion of law subject to de novo review.

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Argument

Point One

A Trademark Injunction Should Prohibit Infringement For The Same Goods That Are Infringed And For Related Goods

In the United States Trademark Office an applicant for a trademark registration will be denied registration for a trademark found to be confusingly similar to another trademark that has been previously registered. This is because a trademark owner is entitled to trademark protection for the same and also for related goods. **In Re: Martin's** 748 F.2d 1565 (CAFC, 1984) This appears to be the intent of Congress.

In **Natural v Hart** 760 F.2d 1382 (CA3, 1985) the court held that a trademark owner only has the rights to use a trademark for the goods specified in the federal trademark registration, but may have broader common law trademark

rights.

It appears to be the law of the Ninth Circuit that the owner of a registered trademark is not limited to protection with respect to specific goods stated on the certificate of registration, but extend to any goods related in the minds of consumers in the sense that a single producer is likely to put out both goods. **Schwab v Hibernia** 665 F.Supp. 800 (ND Cal, 1987) **Fleichmann** v **Maier** 314 F.2d 149 (CA9, 1974) **American** v **American** 926 F.2d 829, 832 (CA9, 1991)

In **Avon v David** 279 F.2d 607, 613 (CA2,-1960) the court held:

> a senior user possesses but two legitimate interests which may properly call for injunctive relief against a use by a junior user on related goods, namely, that he may at some future date desire to expand his business

into the related field in which the junior user is operating and that he, in any event, should be able to develop his present business free from the strain and tarnishment which may result from improper trade practices of the junior user.

The court further held that for competing goods the doctrine of expansion is universally applicable because even if the junior user acts in good faith, injury to the business of the competitor is inevitable from infringement of related goods.

In the present case the district court restricted the trademark injunction to one single product-sardines, which effectively cancels the trademark and clearly will have a devastating effect on the deserving trademark owner.

The district court appears to have based this injunction on the fact that

the jury wrote on the special verdict form that trademark infringement was found only for sardines. However, it is submitted that because of the doctrine of expansion there cannot be trademark infringement for only one product as a matter of law.

Clearly the deserving trademark owner in this case, Mercado Latino, should be entitled to a broad enough trademark injunction to protect all of its products covered by the trademark. Conversely the trademark of Mercado Latino should not effectively be cancelled when the jury found that respondents willfully and deliberately infringed the trademark, and the jury found that the trademark SOL-MEX should not be cancelled.

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Point Two

Mercado Latino Should Have Been Awarded Costs Of Suit Including Reasonable Attorney's Fees

15 U.S.C. 1117 provides for recovery for violation of the Lahnam Act infringement provisions. This section provides for recovery of (1) defendant's profits; (2) damages sustained by the plaintiff; and (3) costs of the action. Attorney's fees are to be awarded in an exceptional case.

15 U.S.C. 1114(1)(b) provides that there will be no award of profits or damages unless infringement is committed intentionally. This appears to mean that when infringement is willful and deliberate a party should be able to recover damages and costs. In a trademark case it has been held that willful infringement is sufficient reason to include attorney's fees as costs.

Mattel v Azrak 724 F.2d 357 (CA2, 1983)

The Lanham Act refers to recovery of damages, costs, and attorney's fees as being subject to principles of equity. One such principal is that Equity Will Not Suffer A Wrong To Be Without A Remedy. **Walters v Marathon** 642 F.2d 1098 (CA7, 1981)

If a party does succeed in proving a willful and deliberate infringement this should be sufficient to obtain relief by way of damages, costs, and attorney's fees if appropriate for any intentional tort. If a party cannot at least recover costs of suit and necessary legal fees when willful and deliberate trademark infringement is proven, then one might wonder if it would ever be possible to obtain relief in a trademark suit under any circumstances.

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The district court invoked its equity powers and found Mercado Latino guilty of laches and therefore not entitled to costs of suit and recovery of necessary legal fees. The Court Of Appeals affirmed based on the so called six-factor test for laches. The Ninth Circuit has apparently adopted this six-factor test at variance with the law of other circuits which rely on the principle of clean hands before permitting a party to invoke the equitable doctrine of laches. The Ninth Circuit 6 factor test has recently been expounded in the case **American v American** 926 F.2d 829 (CA9, 1991) wherein the court held that the applicability of the doctrine of laches depends on six factors, to wit: 1) strength of the trademark, 2) senior user's diligence in enforcing the mark, 3) the harm to the senior user if relief is denied, 4)

whether the junior user acted in good faith ignorance of the senior's rights, 5) the degree of competition between the senior and the junior user, and 6) the extent of harm to the junior user because of delay in assertion of the trademark rights.

The present case is a classic example of how this six factor test results in a situation where the deserving trademark owner is completely devastated by the trademark infringer by having its trademark effectively cancelled, having to bear substantial costs of litigation that make any further trademark litigation impossible, and being denied any relief from the damages caused by the predatory trademark infringer.

This situation would have been avoided if the district court had relied on the principle of clean hands and denied equitable relief to the predatory

trademark infringer. Such is the law of other circuits.

A cardinal maxim of equity jurisprudence is that he who comes into equity must come with clean hands. **US v Schrock** 855 F.2d 327 (CA6, 1988) It has also been held that laches is not a defense that is available to an intentional trademark infringer. **Conan v Conans** 752 F.2d 145 (CA5, 1985) **Wells Fargo v Stagecoach** 685 F.2d 302 (CA9, 1982)

Another way to view this case is that in framing the Lanham Act Congress must have intended that a deserving trademark owner should be entitled to some relief after a jury verdict of willful and deliberate trademark infringement is returned.

Absent the application or the so called six-factor test for laches and application to this case of the clean

hands doctrine, it is clear that the respondents should not be permitted to invoke the equity jurisdiction of the court and set up the equitable defenses of laches to completely defeat the claims of relief of the deserving trademark owner.

The trial court also found Mercado Latino guilty of unclean hands because Mercado Latino neglected to re-register a dba used on its labels. For one thing this dba has since been re-registered so the issue is moot. But the finding of unclean hands based on a clerical error of Mercado Latino is not the law. Bad intent is the essence of the defense of unclean hands. **Wells Fargo v Stagecoach** 685 F.2d 302 (CA9, 1982) Further there is no showing of fraud or deceit in the neglect to re-register the dba filing as is required to prove unclean hands. **Ellenburg v Brockway** 763 F.2d 1091, 1097

(CA9, 1985)

Thus application of the clean hands doctrine by the court should result in recovery of costs and necessary legal fees by Mercado Latino.

Point Three

In The Case Of Willful Trademark Infringement Damages Should Be Awarded The Deserving Trademark Owner

The Lanham Act refers to recovery of damages, costs, and legal fees as being subject to the principles of equity. One such principle is that Equity Will Not Suffer A Wrong To Be Without A Remedy. **Walters v Marathon** 642 F.2d 1098 (CA7, 1981) It would therefore appear that a party wronged by a predatory intentional trademark infringer should be able to recover the monetary damages caused as a matter of course just as would be the case with any other intentional tort.

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An anomaly of trademark law is that a regional trademark user with a registered trademark gets nationwide trademark infringement protection, so another regional user might use a confusingly similar trademark without intentionally infringing on the registered trademark. Thus, it might be equitable to permit such an innocent trademark infringer to escape a damage award. However, it is submitted that Congress never intended the Lanham Act to be a license to predatory trademark infringers to freely cash in on the goodwill of another, devastate the marketing program of a deserving trademark owner, and otherwise harm and damage the deserving trademark owner then by invoking the Lanham Act, escape any liability.

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It is submitted that once willful trademark infringement has been established the deserving trademark owner should be permitted to offer proof of damages incurred, and that this is the intent of Congress as set forth in the Lanham Act.

In summary it is difficult enough to prove to a jury that a party has willfully and deliberately infringed on the trademarks of another. Surely after such a jury verdict the deserving trademark owner should be entitled to some relief. Surely it is not equitable for the court to effectively cancel the trademark that was found to be infringed, deny all costs and necessary legal fees, and deny damages to a deserving trademark owner.

Conclusion

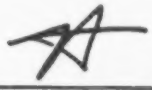
Premises considered Mercado Latino, petitioner above named prays that this

court will grant the petition for certiorari herein in order to resolve the conflicting laws of the circuits and to more clearly establish the intention of Congress as set forth in the Lanham Act.

Respectfully submitted.

DATED:
16 APR 1992

LAW OFFICE OF NATHAN BOATNER



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Appendix

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NOT FOR PUBLICATION

THE UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

MERCADO LATINO, INC	)	Filed
	)	01/22/92
Plaintiff/Counter-Defendant-Appellee	)	No 90-56178
	)	90-56160
v.	)	
	)	DC No CV88-3749-WJR
ALBERT SOLER; MARKTRADE COMPANY, INC	)	
	)	ORDER AMENDING DISPOSITION
Defendants/Counter-Claimants-Appellants	)	

Appeal From The United States District Court for the Central District Of California, William J Rea, District Judge, Presiding

Argued and Submitted November 8, 1991 Pasadena, California

BEFORE: SNEED, BEEZER, and TROTT, Circuit Judges

The panel in the above-captioned case has voted to amend its disposition filed December 12, 1991, as follows:

(1) Page 2, note 1, second paragraph, second line: Delete from footnote, "In an earlier version of the

document, the district court specifically struck out that finding. Excerpt of Record 771."

(2) Page 2, note 1, second paragraph, fifth line: Replace "Mr Rosa, and when Mercado's" with "Mr Rosa. Although page 4 of the Findings of Fact was retyped by the district court, the retyped version is identical to Mr Rosa's submitted version, only the typographical errors were removed. When Mercado's".

With the memorandum disposition so amended, the panel has voted unanimously that the petition for rehearing be DENIED.

NOT FOR PUBLICATION

THE UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

MERCADO LATINO, INC Plaintiff/Counter-Defendant-Appellee v. ALBERT SOLER; MARKTRADE COMPANY, INC Defendants/Counter-Claimants-Appellants	)	Filed 12/12/91 No 90-56178 90-56160 DC No CV88-3749-WJR MEMORANDUM*

Appeal From The United States District Court for the Central District Of California, William J Rea, District Judge, Presiding

Argued and Submitted November 8, 1991
Pasadena, California

BEFORE: SNEED, BEEZER, and TROTT, Circuit Judges

Mercado Latino, Inc. ("Mercado") sued Albert Soler and Marktrade, Inc. (collectively, "Marktrade") for

* This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as provided by Ninth Circuit Rule 36-3.

infringement of its trademark "Sol-Mex," which is used to identify Mercado's canned fish, seafood, and whole pickled chili peppers. A special verdict in district court found the trademark was infringed only with respect to Mercado's sardine products. The court, sitting without a jury, granted a permanent injunction barring Marktrade's sale of sardines. It also ruled that due to laches and false advertising on the part of Mercado, there would be no award for damages, costs, or attorney's fees. We affirm.

Because the questions presented on cross-appeal deal with the substantive issues in this case, we will first discuss those issues, and secondly deal with the questions raised on direct appeal.

I

A

On cross-appeal, Marktrade agrues that there was insufficient evidence for the jury's special verdict that Marktrade infringed on the trademark rights of Mercado Latino's "Sol-Mex" by marketing "Seamex" and "Sardimex" sardines. We review the district court's finding of a "likelihood of confusion" for clear error. Eclipse Assoc. Ltd. v. Data General Corp., 894 F.2d 1114, 1116 (9th Cir. 1990) (citing Levi Strauss & Co v Blue Bell, Inc., 778 F.2d 1352, 1355, (9th Cir. 1985) (en banc)). Applying the eight-factor test of AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979), we find no error. 1/

1 One of the eight factors involves whether the infringement was done in bad faith. There is a seeming contradiction between the jury's factual finding that "the infringement of the Sol-Mex trademark rights of Mercado Latino by defendants was willful and deliberate," and the district court's factual finding that "Marktrade adopted the 'Sardimex' and 'Seamex' trademarks in good faith and

B

Marktrade argues that Mercado's trademark was not properly assigned. Mere assignment of a trademark without

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without an intent to capitalize on Mercado Latino's 'Sol-Mex' trademark."

We read the inclusion in the district court's "Findings of Fact" to be in error. In an earlier version of the document, the district court specifically struck out that finding. Excerpt of Record 771. The document that was finally signed by Judge Rea was prepared by Marktrade's lawyer, Mr Rosa, and when Mercado's attorney noted that the finding is inconsistent witht he jury verdict, Mr Rosa stated, "Well, your honor, for the record, I was planning on filing a JNOV motion on that specific issue." It seems the inclusion of that finding of fact was placed in that document in anticipation of a Judgment Nothwithstanding the Verdict [JNOV] that was never granted.

Nowhere in the record is there any indication that the district court's "Finding of Fact" was meant to suggest the absence of substantial evidence for a finding of willful and deliberate infringement. The district court "has a duty to reconcile the jury's special verdict responses on any reasonable theory consistent with the evidence." Pierce v. Southern Trans. Co, 823 F.2d 1366, 1370 (9th Cir. 1987).

Moreover, because good faith is only one of eight factors to be considered, we find substantial evidence to uphold the jury's verdict without bad faith.

transferral of the business with which the mark was associated, is insufficient to allow the transrferee to have standing to sue on the trademark. Mister Donut Of America, Inc v Mr Donut, Inc 418 F.2d 838, 842 (9th Cir. 1969). However, the jury was instructed on this issue, and there was a long disucssion of the assignment. See Reporter's Transcript [hereinafter RT] (June 1, 1990) at 37; RT 22-23 (May 29, 1990); RT 71 (May 25, 1990). What and how much was transferred is a question of fact. There was no plain error in the determination that the mark was not cancelled and was properly assigned.

C

Marktrade argues that the district court committed errors on evidence rulings. The first piece of evidence was a photograph of a shelf in Ralph's supermarket. A district court's ruling

on the admission of photographs is reviewed for abuse of discretion. United States v Goseyun, 789 F.2d 1386, 1387 (9th Cir. 1986). Indeed, the witness who authenticated the photo was unable to say anything about when the photo was taken, and provided a rather shaky foundation for its admission. RT 12 (May 18, 1991). However, the error was corrected by a subsequent witness who was able to say when and where the photograph was taken. See RT 77-78 (May 22, 1990)

Marktrade also complains that the district court did not admit a letter in which Marktrade was told by its attorney about his trademark investigation. The letter would have been relevant in a showing of good faith. The trial court has broad discretion in such matters. Deland v. Old Republic Life Ins. Co., 758 F.2d 1331, 1338 (9th Cir, 1985). We review for plain error. **United States v.**

Knigge, 832 F.2d 1100, 1108, (9th Cir. 1987). The court did not admit the letter on the grounds that it did not fall under the business records exception to the hearsay rule. See RT 7 (May 23, 1990). Arguably, this was not a business record, although if the letter was received in the ordinary course of business, it becomes part of the business file. Deland, 758 F.2d at 1338. The district court found it was merely correspondence and not a business record. See RT 6 (May 23, 1990). This was not plain error.

But, even assuming that the district court should have admitted the letter, the good faith use of a trademark -- thatthe letter would go to show -- is but one factor that goes into the determination of infringement and the calculation of damages. Therefore, even if the district court's rulinng in these matters was mistaken, an erroneous

evidentiary ruling is subject to harmless error review. See Fed.R.Civ.P. 61. We hold these errors to be harmless.

D

Marktrade argues that laches and unclean hands should preclude an injunction and monetary damages. The Ninth Circuit has held under E-Systems v Monitek, Inc 720 F.2d 604 (9th Cir., 1983) that "laches can bar recovery in trademark or trade name actions where injunctive relief is sought." Id. at 607. Applying E-Systems's six-factor test to determine if laches would bar recovery, the district court's finding that laches should prevent damages from being awarded, but should not prevent an injunction was supported with substantial evidence. The district court seems to have found that the strength and value of the trademark rights were high and that Mercado would suffer harm if relief were

denied. Under Faberge, Inc v Saxony Products, Inc 605 F.2d 426, 429 (9th Cir. 1979), a district court has the power to award an injunction and not award damages. The district court did not abuse its discretion in finding the equities in the case required an injunction in favor of Mercado.

E

Marktrade argues that there was sufficient evidence to find that the abalone shell label constituted false advertising. There is no merit to Marktrade's argument. The jury properly found that Mercado was guilty of false advertising under section 17200 of the California Business and Professions Code. Marktrade's only complaint is that the jury also should have found false advertising with respect to the type of abalone decictied on the label. The jury was within its discretion to find that

the misrepresentation with respect to the type of abalone was not material. See RT 12 (June 6, 1990).

II

A

On direct appeal, Mercado argues that the district court should have granted its cross motion for partial summary judgment because there was "abundant" evidence to establish willful and deliberate tradrmark infringement. A denial of summary judgment is reviewed de novo. Lockary v. Kayfetz 917 F.2d 1150, 1153 (9th Cir. 1990). Assuming the facts most favorable to the non-moving party, Smolen v Deloitte Haskins & Sells, 921 F.2d 959, 963 (9th Cir. 1990), there was an issue of material fact with regard to the likelihood of infringement with the eight-factor test. See Sleekcraft, 599 F.2d at 353. The issue of willful infringement in theis case is hardly

open-and-shut. The evidence Mercado used to support its contention that summary judgment should have been granted consisted of a handful of inconsistencies in the court record. This evidence hardly requires the conclusion that no issue of material fact existed with respect to whether infringement was deliberate.

B

Mercado also argues that the district court's grant of an injunction should be overturned because the court should have granted a broad injunction. Mercado argues that the court was prejudiced because it "essentially restricted evidence of trademark infringement to sardines only." However, a review of the trial record indicates much time was spent on abalone and hot peppers as well. See, e.g. RT (June 19, 1990). The purpose of the Lahnam Act is

to prevent confusion to the public, and the district court fashioned an injunction to prevent confusion in those areas where the jury found confusion. "The district court has substantial discretion in defining the terms of an injunction and appellate review is correspondingly narrow." Coca-Cola v Overland, Inc 692 F.2d 1250, 1256 n.16 (9th Cir. 1982) (citing Lemon v. Kurtzman, 411 U.S. 192 (1973))

C

Finally, Mercado argues that they should have been awarded damages, costs, or attorney's fees because the jury found Marktrade's actions were willful and deliberate. 2/ The district court

2 Again, we assume the jury's special verdict that the infringement was willful and deliberate to be the proper finding of fact, and the district court's "Findings of Fact" to be a mistake. However, the resolution of this issue is irrelevant, for Mercado's claim has no merit even assuming Marktrade's infringement was willful and deliberate.

correctly found that laches and unclean hands on Mercado's part prevented an award of damages, costs, or attorney's fees. See Ellenburg v Brockway, Inc 763 F.2d 1091, 1097 (9th Cir. 1985) ("[e]quity requires that those seeking its protection shall have acted fairly and without fraud or deceit as to the controversy in issue").

Moreover, we find no abuse of discretion in the district court's failure to award costs. As Marktrade points out, both Mercado and Marktrade prevailed on three causes of action each, and, therefore, costs were properly not awarded to either side.

Regarding the award of damages, the district court scrupulously followed the requirements of Faberge, 605 F.2d at 429, which held that even with willful infringement, an award of profits is not necessary. Id. at 429.

III

We hold: (1) there was sufficient evidence to support the jury's verdict that Marktrade infringed on Mercado's trademark with respect to sardine products; (2) there was sufficient evidence to find that Mercado's trademark was properly assigned; (3) the evidentiary rulings, if error, were harmless; (4) the district court was within its discretion to deny summary judgment on the willful infringement claim, grant a narrow injunction, and refuse to award Mercado costs, damages, and attoreny's fees due to laches and unclean hands.

AFFIRMED

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

MERCADO LATINO, INC Plaintiff v. ALBERT SOLER, an individual and MARKTRADE COMPANY, INC Defendants	Entered 07/16/90 Civil No. CV88-03749 WJR(Kx) FINAL JUDGMENT
ALBERT SOLER, an individual and MARKTRADE COMPANY, INC Counter-Claimants v. MERCADO LATINO, INC Counter-Defendant	

I. Judgment On Special Verdict

This action came on regularly for trial on May 15, 1990, in Courtroom 10 of the United States District Court, Central District of California, the Honorable

William J. Rea presiding; the plaintiff and counter-defendant appearing by attorney Nathan Boatner and the defendants and counter-claimants appearing by Edouard V. Rosa of the Law Offices of Harlan P. Huebner.

A jury of six (6) persons was regularly impaneled and sworn. Witnesses were sworn and testified. After hearing the evidence and arguments of counsel, the jury was duly instructed by the Court and the cause was submitted to the jury with directions to return a verdict on special issues. The jury deliberated and thereafter returned into court with its verdict consisting of the special issues submitted to the jury and the answers given thereto by the jury, which said verdict was in words as follows to wit:

We, the jury in the above-entitled action, find as follows on the Special Verdict:

ISSUE 1

Do you find that defendants have infringed the trademark rights of Mercado Latino to the Sol-Mex trademark?

Answer yes or no:

Answer: Yes, with regards solely to the Seamex and Sardimex sardines.

If the answer to Issue 1 is yes proceed to issue 2. If the answer is no, proceed to issue 3.

ISSUE 2

Do you find that the infringement of the Sol-Mex trademark rights of Mercado Latino by defendants was willful and deliberate?

Answer yes or no:

Answer: Yes

ISSUE 3

Do you find that defendants have infringed the rights to the trade dress of one or more of the canned fish or seafood products of Mercado Latino?

Answer yes or no:

Answer: No

If the answer is yes proceed to Issue 4. If the answer is no, proceed to Issue 5.

ISSUE 4

Do you find that the infringement of the rights to the trade dress of canned fish or seafood products of Mercado Latino was willful and deliberate?

Answer yes or no:

Answer: N/A

ISSUE 5

Do you find that the defendants have irreparably injured the overall reputation of the Sol-Mex trademark?

Answer yes or no:

Answer: No

ISSUE 6

Do you find that the trademark Sol-Mex registration at the United States Patent and Trademark Office and the State of

California should be cancelled?

Answer yes or no:

Answer: No

ISSUE 7

Do you find that Mercado Latino has violated Section 17200 of the California Business and Professions Code by false advertising?

Answer yes or no:

Answer: Yes with regards to follow up DBA filing.

II. Judgment by Court Sitting Without A Jury

Further the Court sitting without a jury and the issues having been tried, the jury having rendered its special verdict and after, the pleading, evidence, briefs and argument of counsel having been considered; and having rendered a decision regarding plaintiff's and defendants' motions for a directed verdict; and plaintiff's laches,

acquiescence and unclean hands and made Findings of Fact and Conclusions of Law thereon; it is hereby,

ORDERED, ADJUDGED AND DECREED:

1. That plaintiff, Mercado Latino, Inc, have judgment against defendants, Albert Soler and Marktrade Company, Inc, according to the Special Verdict as to Issues 1, 2, and 6;

2. That counter-claimants, Albert Soler and Marktrade Company, Inc have judgment against counter-defendant Mercado Latino, Inc according to the Special Verdict as to Issues 3, 5, and 7;

3. That plaintiff's delayed actions regarding its pursuit of defendants for trademark infringement as well as unfair competition and dilution constitute laches and acquiesence and bars plaintiff from recovery of damages or profits for the trademark infringement;

/

4. That in view of the jury's finding of false advertising by plaintiff in not filing a d.b.a. plaintiff's actions constitute unclean hands and bars plaintiff from recovery of damages or profits for the trademark infringement;

5. That the motion for directed verdict of plaintiff on the issue of cancellation of the trademarks "SOL-MEX"; on the issue of dilution of the trademark "SOL-MEX" and on the issue of the counterclaim for false advertising is DENIED;

6. That the motion for directed verdict of plaintiff on the counterclaims of defendants as to the issues of trade libel; intentional interference with economic relationships is GRANTED;

7. That the motion for directed verdict of defendants is granted in part as follows:

(a) That the Pretrial Conference Order dated Auguest 28, 1989, and plaintiff's

Third Amended Complaint do not include a claim for relief for trademark infringement of plaintiff's U.S. Trademark Registration No. 1,130,151 for "SOL-MEX" for whole pickled chili peppers and therefore plaintiff is precluded from bringing this claim before the jury;

(b) That plaintiff's State of California Trademark Reg. No. 58566 for "SOL-MEX AND DESIGN" for whole pickled and sliced chili peppers and hot chili sauces has not been infringed by defendants' use of the "SARDIMEX" and/or "SEAMEX" marks on canned fish and/or seafood;

8. That the motion for directed verdict of defendants is in all other respects, DENIED;

9. That a permanent injunction shall be issued against defendants and their officers, agents, servants, employees, successors, and those persons in active

concert privity or participation with them respectively who receive actual notice thereof from:

(a) using the trademarks "SARDIMEX" and/or "SEAMEX" or any word, words, symbol, symbols, phrase or term confusingly similar thereto alone or prominently displayed in promotional material,, advertisements, signs, or in any other way in connection with the advertising, distribution, and sale of canned sardines not emanating from or authorized by plaintiff;

(b) displaying on labels, promotional material, advertisements, signs or in any other way the trademarks "SARDIMEX" and/or "SEAMEX", or any word, words, symbol, symbols, phrase or term confusingly similar thereto in connection with canned sardines;

(c) infringing the trademark "SOL-MEX" as applied to canned sardines;

10. Defendants will notify all their customers who currently have canned sardines in stock bearing the trademarks "SARDIMEX" and/or "SEAMEX" to remove said cans of sardines from sale to the public or cause to remove said cans of sardines from sale to the public within forty-five (45) days from the date of this order;

11. In accordance with 15 U.S.C. Section 1116, defendants shall file with the Court and serve on plaintiff's attorney within forth-five (45) days of this injunction a report stating under oath and in detail the manner and form in which defendants have complied with this injunction;

12. The Court shall retain jurisdiction over the subject matter hereof and over defendants to ensure compliance with this injunction;

13. That neither party is awarded its attorneys fees; and

14. That each party shall bear its own costs.

Dated the 9th day of july, 1990.

William J. Rea
United States District Judge

15 U.S.C. 1114

(1) Any person who shall, without the consent of the registrant--

(a) use in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to decieve; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or

to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

*****

15 U.S.C. 1115

(a) Evidentiary value; defenses

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted

if such mark had not been registered.

*****

15 U.S.C. 1116

(a) Jurisdiction, service

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under section 1125(a) of this title. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended periof as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted

upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or other wise by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.

*****

15 U.S.C. 1117

(a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction

claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

CERTIFICATE OF SERVICE

I, Nathan Boatner, the undersigned attorney, am a member of the bar of this court. I certify that on this day of 16 APR 1992 I deposited in the United States mail at Los Angeles, California, with first class postage prepaid 2 copies of the foregoing petition for certiorari-trademarks addressed as follows:

EdouardV.Rosa,Esq;LawOfficeOfHuebnerand Rosa,900WilshireBlvd,Stel000,LosAngeles CA,90017

I further certify that on this day of 16 APR 1992 I deposited 40 copies of the foregoing petition in the United States mail at Los Angeles, California, with postage prepaid for express mail next day delivery addressed as follows:

Clerk,USSupremeCourt,1FirstSt,N.E., Washington,DC,20543.

DATED:

16 APR 1992

Nathan Boatner, Attorney

Supreme Court, U.S.
FILED
MAY 18 1992
OFFICE OF THE CLERK

CASE NO. 91-1678

**IN THE
SUPREME COURT
OF THE
UNITED STATES**

October Term, 1991

MERCADO LATINO, INC.
Petitioner

v.

MARKTRADE COMPANY, INC.
AND ALBERT SOLER
Respondents

On A Writ of Certiorari
To The
United States Court of Appeal
For The Ninth Circuit

Opposition to Petition For Writ of Certiorari - Trademark

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SUMMARY OF ARGUMENT

No relevant conflict exists. The issue here is whether the district court properly exercised its discretion in limiting the injunction to sardine products. Mercado Latino has cited no authority that would suggest that the district court is required to expand an injunction beyond a jury's findings of fact.

The "conflict" which Mercado Latino purports to exist has no bearing on the district court's exercise of discretion. Moreover, any conflict which may exist is not at issue here because under either of the "conflicting" rules of law, the present injunction would be limited to sardines. The district court applied the "expanded" test in this case, and in its discretion, refused to expand the scope of the injunction to cover "related" or "complementary" products. Further, again using the "expanded" test, the Ninth Circuit found no basis for disturbing the district court's limited injunction.

Should the Court find that a conflict of decisions exists and that review of this issue is appropriate, Marktrade submits that this case presents a poor factual setting from which to review that issue. Here, a substantial amount of trial time was spent on "related" products and the jury specifically found no infringement on the related products, in fact, the jury explicitly found that infringement occurred only with regard to canned sardines.

The district court made a finding of unclean hands against Mercado Latino and found in favor of Marktrade on its laches and acquiescence affirmative defenses. In view of these findings, the Court of Appeal held that the district court "correctly found that laches and unclean hands on Mercado's part prevented an award of damages, costs, or attorney's fees."

Mercado Latino argues that the mere finding of willful and deliberate infringement should require the

awarding of costs. This assertion is without merit, and, Mercado Latino cites no authority for this position. Mercado Latino failed to seek any jury instruction to this effect, thus, Mercado Latino is precluded from raising this issue on appeal.

ARGUMENT

POINT ONE

THE TRIAL COURT PROPERLY EXERCISED ITS DISCRETION IN LIMITING THE INJUNCTION TO THE INFRINGING SARDINE PRODUCTS.

1. Standard of Review

"In shaping equity decrees, the trial court is vested with broad discretionary power; appellate review is correspondingly narrow." Lemon v. Kurtzman 411 U.S. 192, 200 (1973). This rule is no less stringent when applied to the laws of trademark infringement. See, Coca-Cola Co. v. Overland, Inc. 692 F.2d 1250, 216 U.S.P.Q.

579 (9th Cir. 1982), holding that in trademark cases a district court has "substantial discretion in defining the terms of an injunction and appellate review is correspondingly narrow." Id. at 1256 n. 16.

2. There Is No Relevant Conflict Among The Circuits

Mercado Latino would have the Court issue a Writ on the ground that there "is a conflict of decisions among the circuits as to how broad an injunction should be that prohibits trademark infringement." (Petition for Cert. p.9, emphasis added). No relevant conflict exists. The issue here is whether the district court properly exercised its discretion in limiting the injunction to sardine products. Mercado Latino has cited no authority that would suggest that the district court is required to expand an injunction beyond a jury's findings of fact.

In its reach to find a conflict of law which might justify review by the Court, Mercado Latino fails to

address the only proper issue; whether the district court properly exercised its discretion. Instead, Mercado Latino argues that the Third Circuit limits injunctions to goods specified in the trademark registration and that other circuits (specifically, the Ninth Circuit) allow expansion of injunctions to "related" and "complementary" goods. The "conflict" which Mercado Latino purports to exist has no bearing on the district court's exercise of discretion. Moreover, any conflict which may exist is not at issue here because under either of the "conflicting" rules of law, the present injunction would be limited to sardines. Mercado Latino's Trademark Registration for "SOL-MEX" is limited in the certificate to "canned fish, namely tuna and sardines." Using the Third Circuit's analysis in Natural Footwear Limited v. Hart, Schaffner & Marx 760 F.2d 1382, 225 U.S.P.Q. 1104 (3rd Cir. 1985), the injunction here would have been limited to tuna and sardines. In Natural Footwear, the Third Circuit dealt

with the issue of expanding a trademark for footwear to include the "related" products of women's sportswear. The court held:

> [B]ased on both the statutory language construed by that court as well as the purpose of the statute. We believe that this purpose is best served by limiting the impact of a registered mark to only the specific terms of the registration so as to allow parties interested in marketing products with a new mark to rely as fully as possible on the registry." Id. at 1112.

Mercado Latino argues that this rule is in conflict with the Ninth Circuit's holding in American Intn'l Group v. American Intn'l Bank 926 F.2d 829, 832, 17 U.S.P.Q. 2d 1907, 1910 (9th Cir. 1991). There the court considered whether a trademark owned by a group of insurance underwriting companies could be expanded to

prohibit the use of the trade name to a commercial bank. The district court ruled that it could not, and granted the bank's motion for summary judgment. The Ninth Circuit held that there was sufficient evidence to withstand the summary judgment and ordered a trial on the merits. The Ninth Circuit stated: "Although the parties are not direct competitors, they both provide financial services. Their businesses may be sufficiently 'complementary' or 'related' that the public is likely to be confused as to the source of the services." Id. at 1910. The parties had stipulated that there was some overlap in the services they offered to the public. Yet, from this language, Mercado Latino argues that a conflict exists among the circuits.

Arguably, under the Ninth Circuit's "expanded" test, the district court may have had discretion to enlarge the scope of the injunction. However, what Mercado Latino fails to acknowledge is that the district court applied the "expanded" test in this case, and in its

discretion, refused to expand the scope of the injunction to cover "related" or "complementary" products. Further, again using the "expanded" test, the Ninth Circuit found no basis for disturbing the district court's limited injunction.

3. This Case Presents A Poor Factual Setting For Review

Should the Court find that a conflict of decisions exists and that review of this issue is appropriate, Marktrade submits that this case presents a poor factual setting from which to review that issue. Here, a substantial amount of trial time was spent on "related" products, including abalone and hot peppers. (See, e.g. RT from 6-19-90; and the Ninth Circuit's Memorandum Opinion, at p.42 of Petition for Writ of Cert.). The jury specifically found no infringement on the related products, in fact, the jury explicitly found that infringement occurred only with regard to canned sardines. Similarly, the

district court itself ruled that there was no infringement of Mercado Latino's State of California Trademark Registration for "SOL-MEX AND DESIGN" for whole pickled and sliced chili peppers and hot chili sauces. (See, Final Judgment of the district court, at p. 53 of Petition for Writ of Cert.). Mercado Latino argues that the limited injunction has "effectively" canceled its trademark. However, the limited injunction resulted from a case where the "related" products using the Sol-Mex label were fully considered by the jury and district court. This is not a case where dealing with the possibility of future product expansion, it is one which properly dealt with an already expanded product line.

Mercado Latino now seeks to expand the scope of the injunction beyond the explicit findings of the triers of fact. The injunction cannot be so expanded because the scope of expansion of a mark is an issue of fact as part of the likelihood of confusion test. See, Alpha Industries,

Inc. v. Alpha Steel Tube and Shapes, 616 F.2d 440, 443-445 (9th Cir. 1980).

Further, Mercado Latino had the opportunity to argue the expansion doctrine to the jury, but failed to do so. Mercado Latino proposed a jury instruction, No. 8, which was adopted by the court and read to the jury. The instruction provided an eight factor test for determining infringement, the eighth factor being "the likelihood of expansion of the product lines." Therefore, the jury was aware that the Sol-Mex registered mark for sardines could be considered beyond the scope of just sardines. There is no reason to disturb the province of the jury's explicit finding of infringement with respect to sardines only.

For the foregoing reasons, Marktrade submits that the Court should deny the Petition for a Writ of Certiorari.

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POINT TWO

EXERCISING ITS EQUITABLE POWERS, THE DISTRICT COURT PROPERLY DENIED COSTS OF SUIT AND ATTORNEY'S FEES.

1. Standard of Review

Under 15 U.S.C. § 1117, an award of attorney's fees is within the discretion of the court and "such awards are reviewable only to determine if the trial court abused its discretion in granting or denying them." Transgo, Inc. v. Ajac Transmission Parts Corp., 751 F.2d 1040, 1044 (9th Cir. 1985).

Similarly, the district court has wide discretion in denying or awarding costs of suit, and its discretion will not be reversed unless it has been abused. Shakey's Inc. v. Covalt, 704 F.2d 426 (9th Cir. 1983).

2. Pursuant to 15 U.S.C. § 1117, Attorney's Fees In Trademark Actions May Only Be Awarded In Exceptional Cases

The pertinent language of 15 U.S.C. § 1117(a)

states that "[t]he Court in exceptional cases may award reasonable attorney fees to the prevailing party," and that the award is "subject to the principles of equity." The Ninth Circuit has defined the term "exceptional cases" by requiring a showing of "fraud or bad faith." See, Lindy Pen Co. v. Bic Pen Corp., 14 U.S.P.Q. 1528, 1530 (9th Cir. 1989).

In the case at bench, the district court made a finding of unclean hands against Mercado Latino and found in favor of Marktrade on its laches and acquiescence affirmative defenses. In view of these findings, the Court of Appeal held that the district court "correctly found that laches and unclean hands on Mercado's part prevented an award of damages, costs, or attorney's fees." (Memorandum Decision, see Appendix, Petition for Writ of Cert. at p.44, citing Ellenburg v. Brockway, Inc., 763 F.2d 1091, 1097 (9th Cir. 1985) ("equity requires that those seeking its protection shall have acted fairly and

without fraud or deceit as to the controversy in issue.").)

Mercado Latino was properly denied attorney's fees, and has failed to come forward with any reason why this issue should now be reviewed by the Court on a Writ of Certiorari.

3. The District Properly Apportioned Costs

Mercado Latino argues that the mere finding of willful and deliberate infringement should require the awarding of costs. This assertion is without merit, and, Mercado Latino cites no authority for this position. Mercado Latino failed to seek any jury instruction to this effect, thus, Mercado Latino is precluded from raising this issue on appeal. See, Federal Rules of Civil Procedure, Rule 51, and Conan Properties, Inc. v. Conans Pizza, Inc., 752 F.2d 145, 148 (5th Cir. 1985).

Further, Mercado Latino fails to acknowledge that the denial of costs was supported by both a finding of laches and unclean hands. Mercado Latino has cited no

authority to establish that the district court's findings of unclean hands is insufficient evidence to support the denial of costs.

Mercado Latino argues that the Ninth Circuit is once again in conflict with the law of other circuits, which rely on the principle of clean hands before permitting a party to invoke laches, whereas the Ninth Circuit applies a six factor test to the laches issue. (Petition for Writ of Cert. at 21). Mercado Latino argues that "laches is not a defense that is available to an intentional trademark infringer." (Petition for Writ of Cert. at 23).

Contrary to Mercado Latino's assertion that the laches defenses is unavailable to Marktrade, the district court findings clearly demonstrate that the factors enumerated in E-Systems, Inc. v. Mointek, Inc., 720 F.2d 604, 607 (9th Cir. 1983) were considered in its ruling barring costs.

Mercado Latino cites the cases of Conan Properties,

supra, and Wells Fargo & Co. v. Stagecoach Properties, Inc., 685 F.2d 302, 216 U.S.P.Q. 480 (9th Cir. 1982) in support of its argument that laches is not an available defense for intentional trademark infringers. However, in this regard, Mercado Latino has misstated the holdings of both the cases its cites.

Mercado Latino misstates the holding of the Conan case, wherein the Fifth Circuit actually held:

> To foreclose the laches and acquiescence defenses, the plaintiff must offer something more than mere objective evidence to demonstrate that the defendant employed the allegedly infringing mark with the wrongful intent of capitalizing on its good will.
>
> * * *
>
> Additionally, the jury's findings of trademark infringement and unfair competition did not constitute a finding that Conans acted with

> the wrongful intent to capitalize on CPI's goodwill, since wrongful intent is merely one of at least seven critical elements contributing to a finding of a likelihood of confusion."

Id. 225 U.S.P.Q. at 382.

Mercado Latino also misstates the holding of Wells Fargo v. Stagecoach. That case did not even address a laches issue; and the only reference to unclean hands reads as follows: "We are not compelled by the reasoning of that case to conclude that [Stagecoach's] intent is irrelevant to an unclean hands inquiry. Bad intent is the essence of the defense." Wells Fargo, 216 U.S.P.Q. at 485.

Moreover, Mercado Latino fails to acknowledge that the Ninth Circuit found the district court's failure to award costs supported not just by the facts that Mercado Latino had acted with unclean hands and was guilty of

laches and acquiescence, but also by the fact that both Mercado Latino and Marktrade had prevailed on three causes of action each. (See, Appendix to Petition for Writ of Cert. at p 44). This holding follows from the principal stated in Moore's Federal Practice, 2nd Ed., Section 54.70[5]:

> Although a party has prevailed so that normally he is entitled to costs when the exercise of sound discretion warrants the district court may direct otherwise by apportioning one item of costs or the entire costs; by requiring each party to bear its own costs or by making some other equitable provision including the disallowance of particular items."

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POINT THREE

MERCADO LATINO IS NOT ENTITLED TO DAMAGES

Mercado Latino argues, without citation to authority, that a party wronged by an intentional trademark infringer should be able to recover monetary damages "as a matter of course." (Petition for Writ of Cert. at 25). However, this argument completely ignores the applicable law, which holds that even with willful infringement, an award of profits is not necessary. See, Faberge, Inc. v. Saxony Products, Inc., 605 F.2d 426, 429, 204 U.S.P.Q. 359 (9th Cir. 1979). Damages are not warranted where the trial court has held that "there is no intent to capitalize on the trade name of another." Lindy Pen Co. v. Bic Pen Corp., supra, 14 U.S.P.Q. at 1530.

Here, the testimony of Marktrade's President established that he had requested and obtained advice from trademark counsel prior to the adoption of the "Sardimex"

and "Seamex" trademarks to determine whether these marks were free for use. (RT 171-172; 5/22/90 and S 30-43). Additionally, the trial testimony showed that Marktrade had no intent to capitalize on Mercado Latino's "Sol-Mex" mark. Instead, Marktrade adopted the subject marks in order to associate its canned sardines with the product itself and the origin of the product. ("Sardi" for sardines and "Sea" for the origin.) Thus, the district court properly found that any infringement is this case was innocent and did not warrant an award of damages.

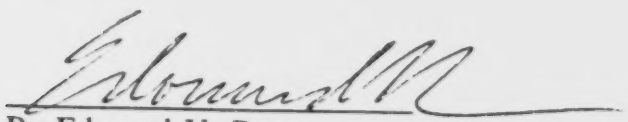
> The award of profits under the statute is expressly made 'subject to the principles of equity.' Section 1117 'confers a wide scope of discretion upon the district judge in the fashioning of a remedy.' [Citation]. Willful infringement may support an award of profits to the plaintiff, but does not require one. [Citation]." Faberge, 204 U.S.P.Q. at 361.

CONCLUSION

For the foregoing reasons, Marktrade Company, Inc. and Albert Soler, respectfully request that the Court deny the Petition for Writ of Certiorari.

Dated:
May 18, 1992

HARLAN P. HUEBNER
EDOUARD V. ROSA
L. RAE CONNET
LAW OFFICES OF HUEBNER & ROSA



By Edouard V. Rosa
Attorney for Marktrade Company, Inc. and Albert Soler.

CERTIFICATE OF SERVICE

I, Edouard V. Rosa, the undersigned attorney am a member of the bar of this Court. I certify that on this date of May 18, 1992, I deposited in the United States mail at Los Angeles, California, with first class postage prepaid 3 copies of the foregoing Opposition to Petition For Certiorari-Trademarks addressed as follows:

Nathan Boatner, Esq.
445 South Figueroa Street
26th Floor
Los Angeles, CA 90071

I further certify that on this day of May 18, 1992, I deposited 40 copies of the foregoing Opposition in the United States mail at Los Angeles, California, with postage prepaid for express mail next day delivery address as follows:

United States Supreme Court
1 First Street, N.E.
Washington, D.C. 20543

May 18, 1992

Edouard V. Rosa
Attorney for Respondents
Marktrade Co., Inc.
and Albert Soler